

Message Text

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ORIGIN EB-11

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FM SECSTATE WASHDC

TO AMEMBASSY LAGOS

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E. O. 11652: N/ A

TAGS: EIND, EMIN, ETRD, US, NI

SUBJECT: STOCKPILE DISPOSAL CONSULTATIONS: TIN -- NIGERIAN
RESPONSE

REF: STATE 75100

1. ON MAY 2, NIGERIAN EMBOFFS ANI AND UDOYEN CALLED ON AF
DEPUTY ASSISTANT SECRETARY SMITH TO DELIVER NOTE CONSTITU-
TING NIGERIAN RESPONSE TO USG STOCKPILE DISPOSALS WHICH
WERE PRESENTED TO AMBASSADOR GARBA IN CONSULTATIONS DESCRIB-
ED REFTEL.

2. NIGERIAN NOTE SUMMARIZED AS FOLLOWS: FMG IS GREATLY
DISTURBED BY POSSIBLE DISLOCATING EFFECT ON TIN PRICES
AT TIME WHEN EXPORT CONTROLS ARE BEING MAINTAINED (BY
INTERNATIONAL TIN COUNCIL). ADVERSE IMPLICATIONS FOR
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NIGERIAN AND OTHER COUNTRIES' TIN INDUSTRIES, AND THEIR EARNINGS, MUST BE EMPHASIZED. MANY OF THE PRODUCERS ARE LDC'S, HIGHLY DEPENDENT ON TIN REVENUES. FOR THESE REASONS, FMG, " IN ACCORDANCE WITH A PREVIOUS UNDERSTANDING BETWEEN THE ITC AND THE USG IN OCTOBER 1966," TAKES POSITION THAT USG SHOULD EXTEND MAXIMUM CONSULTATIONS AND COOPERATION TO ITC TO FIND ORDERLY SOLUTION TO PROBLEM; ITC IS " IN A GOOD POSITION TO WORK OUT AN ARRANGEMENT" WITH USG TO PROTECT INTERESTS OF CONSUMERS AND PRODUCERS. THE FMG CONVINCED THAT SALE OF 18,000 TONS TIN BY USG NEXT YEAR WILL DISRUPT

TIN MARKET AND NIGERIAN ECONOMY, AND ANYTHING MORE THAN 300 TONS OF TIN SALES PER MONTH WILL BE DELETERIOUS. IT HOPES USG WILL NOTE GREAT SACRIFICES PRODUCER COUNTRIES ALREADY MAKING UNDER ITC EXPORT CONTROLS; IF US SALES RESULT IN EVEN GREATER SACRIFICES, USG WOULD HAVE TO COLLABORATE WITH PRODUCERS AND ITC TO MINIMIZE EXTRA BURDEN.

3. FMG PROPOSES, IN ABOVE CONTEXT, THAT ITC AND GSA COME TO ARRANGEMENT TO EXCHANGE INFORMATION, AND AS SOON AS ANY MARKET DISRUPTION FROM SALES IS OBSERVED, SALES SHOULD BE IMMEDIATELY SUSPENDED. FMG PROPOSES ITC- GSA WORK OUT SCHEME FOR INITIAL MONTHLY RATE OF 100-200 LONG TONS, FOR TRIAL PERIOD OF ONE YEAR, WHILE BOTH ORGANIZATIONS STUDY MARKET EFFECTS. RATE COULD THEN BE INCREASED PROGRESSIVELY TO 300 TONS PER MONTH, AND ABOVE, IF GROWTH OF CONSUMPTION RATE OF TIN IS SEEN BY BOTH GSA AND ITC TO JUSTIFY INCREASE. END SUMMARY.

4. IN DISCUSSION ACCOMPANYING PRESENTATION OF NOTE, ANI TOOK BALANCED VIEW THAT, WHILE FMG FEELS SALES AT THIS TIME ARE A BAD IDEA BECAUSE OF ITC EXPORT CONTROLS, NIGERIA RECOGNIZES USG'S REASONS FOR WANTING TO DISPOSE OF STOCKPILE. WHILE IT WAS UNFORTUNATE THAT USG HAD NOT BEEN ABLE TO ACCEPT ITC DELEGATION'S PROPOSALS, IT WAS NOT RPT NOT TOO LATE TO WORK OUT SOME ARRANGEMENT. HE REPEATEDLY STRESSED NIGERIAN CONCERN, PARTICULARLY ABOUT POSSIBLE DISRUPTIVE EFFECTS OF TIN SALES. HE SUGGESTED THAT ANYTHING OVER 300-500 TONS PER MONTH WOULD BE VERY HARMFUL (A POSITION SOMEWHAT MORE GENEROUS THAN NOTE'S LIMITED OFFICIAL USE

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300 TON LIMIT), AND SUGGESTED GSA START AT 300 TONS PER MONTH AND SEE WHAT HAPPENS IN THE MARKET.

5. IN REPLY, DEPT OFFICERS EXPLAINED REASONS FOR GSA TURN DOWN OF ITC DELEGATION'S PROPOSALS, PARTICULARLY PRO-VISO THAT IF TIN PRICE FELL BELOW STIPULATED LEVEL, ITC'S BUFFER STOCK MANAGER WOULD HAVE " FIRST REFUSAL RIGHTS" TO

PURCHASE GSA TIN. GSA LAWYERS HAD FOUND OTHER POSSIBLE DIFFICULTIES IN TOO CLOSE A RELATIONSHIP BETWEEN GSA AND ITC. ANI REPLIED THAT, IF THIS WERE PROBLEM, OTHER APPROACH WOULD BE TO MINIMIZE MONTHLY SALES LIMIT. HE WAS INFORMED THAT LEVELS PROPOSED BY ITC AND FMG WERE ALL VERY LOW AND IF THESE WERE FINAL POSITIONS, GAP BETWEEN THEM AND GSA'S PROPOSALS WOULD BE TOO WIDE TO BE CLOSED BY ANY AGREEMENTS THAT COULDBE WORKED OUT. IN CONCLUSION, ANI STRESSED AGAIN NIGERIAN BELIEF IN NEED TO ALLOW ITC

IMPORTANT ROLE IN ARRIVING AT SOLUTION TO OUR STOCKPILE PROBLEM. HE WAS TOLD WE WERE STILL EXPECTING FOLLOW- UP FROM ITC (FIRST DELEGATION LEFT WASHINGTON APRIL 23 AFTER FAILING TO COME UP WITH ANY PROPOSAL ACCEPTABLE TO USG). DEPARTMENT ASSURED ANI THAT FMG'S VIEWS WOULD RECEIVE FULL CONSIDERATION IN FORMULATING TIN PROGRAM.

6. SINCE THIS MAY 2 MEETING WITH NIGERIANS, SECOND ITC DELEGATION HAS COME AND GONE, WITH LITTLE RESULT. SECOND DELEGATION PROPOSED GSA SELL AT RATE OF 500 TONS PER MONTH/ 6,000 TONS PER YEAR, BUT THIS FIGURE STILL TOO LOW IN ESTIMATION OF BOTH STATE AND GSA.

7. FYI: AT PRESENT, GSA AGREES WITH STATE THAT TIN SALES IN REMAINDER OF THIS FISCAL YEAR MUST BE LIMITED TO 750 TONS PER MONTH, FOR TOTAL OF 1,500 TONS; GSA WISHES, HOWEVER, SELL 10,000 TONS IN FY 1974, WHILE STATE HAS RECOMMENDED TO WHITE HOUSE THAT RATE OF 750 TONS PER MONTH/9,000 TONS PER YEAR NOT BE EXCEEDED. DECISION ON FY 1974 FIGURE EXPECTED TO BE MADE SOON; REPLY TO NOTE BEING POSTPONED UNTIL DECISION IS KNOWN. END FYI. RUSH

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